



The Financial Fringe

A GUIDE TO PERSONAL FINANCE

A PRACTICAL PACK TO USE WITH CONSTITUENTS

Produced by



FOREWORD



The Financial Fringe

Financial services are at the heart of a modern society. Consumers now have a greater choice of products than ever before, ranging from mortgages to personal credit and pensions. Competition gives consumers an opportunity to select appropriate products – but it is very important to ensure that they understand how these work and where to go if they need help. This is where financial education has a vital role to play.

Financial issues rate high in MPs' postbags. This guide, which is aimed at MPs, Councillors and members of the devolved Parliaments and Assemblies, is intended to be used as an information tool in constituency offices. It provides guidance on the wide range of financial products and issues experienced by consumers in their everyday lives.

We welcome the innovative approach taken by the leading financial services trade bodies in producing the guide and hope that you find it useful. We also offer our thanks to Citizens Advice for their input.

We hope this guide will help consumers make the right financial choices to enable them to plan for and protect their futures.



Mark Lazarowicz
Chairman,
All Party Group on Debt and
Personal Finance



John Greenway
Chairman,
All Party Group on Insurance and
Financial Services

HOW TO USE THIS GUIDE



The Financial Fringe

The aim of this guide is to provide helpful information to constituents who visit their MP or local Councillor looking for guidance on financial services issues.

Covering 25 subjects from mortgage arrears and pensions to how to fight fraud, the pack is split into practical briefs that can be copied and given to constituents as needed. The guide contains answers to frequently asked questions and details of what to do and where individuals can go next for help.

It is important to note that the information provided is illustrative and that constituents should seek a full assessment of their entitlements and liabilities. We recommend that users of this guide should work with their local CAB to ensure that effective advice is provided for constituents.

Very often, one issue relates to another, so at the bottom of most pages you will find an orange box directing you to other pages in the guide that may also be of use.

This information is also available on the websites of each of the individual trade bodies responsible for this guide. Please refer to *Who is the Financial Fringe?* on pages 7 and 8 for more details about us and our web addresses.

CONTENTS

- | | | | |
|-------|---|-------|---|
| 3 | Foreword from Mark Lazarowicz MP , Chairman, All-Party Parliamentary Group on Debt and Personal Finance, and John Greenway MP , Chairman, All-Party Parliamentary Group on Insurance and Financial Services | 27 | Debt
Ten tips to help deal with debt |
| 5 | How to use this guide | 29 | Financial Services Compensation Scheme
Levels of compensation under the scheme and how to claim |
| 7-8 | Who is the Financial Fringe?
Details of the trade bodies that have worked on this pack | 31-33 | Fraud
The types of fraud and how to protect yourself |
| 9-10 | Citizens Advice Bureaux
What they do and how they can help | 35 | Independent Financial Advice
The role of financial advice |
| | TOPICS | 37-38 | Individual Savings Accounts
What the options are |
| 11 | Affordable Housing
Some of the options available to make getting on the housing ladder easier | 39-40 | Insurance - general
Motor and household insurance |
| 13 | Basic Bank Accounts
What they are and how to get one | 41 | Insurance - protection
The different types available, including PPI |
| 15-16 | Child Trust Funds
What the choices are and what do with the voucher | 43 | Investment Funds
Long-term saving in investment funds |
| 17 | Christmas Savings
The different options available to help save for Christmas | 45-46 | Mental Capacity
Banking for people who lack capacity to make decisions |
| 19 | Complaints about a Financial Services Organisation
How to make a complaint about a financial services organisation | 47 | Mortgage Arrears
What to do if you are having trouble paying your mortgage |
| 19-20 | Codes of Conduct
Details of the Banking Code and the FLA's Lending and Business Codes | 49-50 | Mortgages and Remortgaging
Who provides mortgages and what you need to know |
| 21 | Credit Cards
Choosing and using a credit card responsibly | 51-52 | Payment Methods
Plastic cards, chip and PIN, cheques and automated payments |
| 23-24 | Credit Scoring
Being refused credit and how to improve your credit rating | 53 | Pensions
Saving for retirement, types of pension and annuities |
| 25-26 | Credit Unions
Services offered by credit unions | 55 | Saving
Why it's important to save |
| | | 57 | Unclaimed Assets
How to trace lost accounts |
| | | 59-60 | Useful Contacts |



WHO IS THE FINANCIAL FRINGE?

The Financial Fringe is made up of eight financial services trade bodies which have come together to produce a guide for MPs and Councillors to use with their constituents. Each of the organisations below has contributed only in those areas where it has expertise. We comprise:

APACS - THE UK PAYMENTS ASSOCIATION

APACS is the trade body that gives banks, building societies and card issuers a forum where they can work together on non-competitive issues. In a nutshell we help manage the way that businesses and individuals in the UK move their money around - this covers cash, credit and debit cards, cheques and automated payments such as Direct Debits, salary payments and online/phone transactions. We champion the fight against banking fraud and twice a year we publish figures on payment industry fraud losses.

For more information visit www.apacs.org.uk or email corpcomms@apacs.org.uk

THE ASSOCIATION OF BRITISH INSURERS (ABI)

The ABI represents the collective interests of the UK's insurance industry. The ABI speaks out on issues of common interest; helps to inform and participate in debates on public policy issues; and also acts as an advocate for high standards of customer service in the insurance industry.

For more information visit www.abi.org.uk

THE ASSOCIATION OF INDEPENDENT FINANCIAL ADVISERS (AIFA)

AIFA represents UK Independent Financial Advisers, Mortgage Intermediaries and Finance Brokers. We also assist our members to provide the highest standards of service to their clients. It is AIFA's objective to play a critical but constructive role within the regulatory process - offering insights from the "front line" of the market to ensure better regulation; we also aim to lower the cost of regulation, which brings down costs for consumers.

For more information visit www.aifa.net

THE BRITISH BANKERS' ASSOCIATION (BBA)

The BBA is the leading UK banking and financial services trade association and acts on behalf of its members on domestic and international issues. Our 230 banking members are from 60 different countries and collectively provide the full range of banking and financial services. They operate some 130 million accounts, contribute £50 billion to the economy and together make up the world's largest international banking centre.

For more information visit www.bba.org.uk

THE BUILDING SOCIETIES ASSOCIATION (BSA)

The BSA is the trade association for all the UK's building societies. We represent and promote the interests of building societies and their members to the media, regulators, the Government and parliamentarians, the Bank of England and suppliers of services to societies. About 15 million adults have building society saving accounts and over two and a half million adults are currently buying their own homes with the help of building society loans.

For more information visit www.bsa.org.uk or email information@bsa.org.uk

THE FINANCE & LEASING ASSOCIATION (FLA)

The FLA represents the consumer credit, leasing, asset and motor finance industries. Our members fund around 30% of all fixed asset investment (except real estate and own-account software) in the UK, over a quarter of all unsecured lending, and over half of all new car registrations. Our member companies include banks, building societies, leading retailers in many sectors, and manufacturing companies, as well as a range of independent finance companies.

For more information visit www.flas.org.uk

continued overleaf

WHO IS THE FINANCIAL FRINGE?

continued

THE INVESTMENT MANAGEMENT ASSOCIATION (IMA)

The IMA is the trade body for the UK's asset management industry. The money our members manage is in a wide variety of investment vehicles including pension funds, stocks and shares ISAs and authorised investment funds. IMA's members are committed to ensuring that high standards are maintained within the industry, to the benefit of investors and the industry.

For more information visit www.investmentuk.org or email ima@investmentuk.org

THE TAX INCENTIVISED SAVINGS ASSOCIATION (TISA)

TISA is the trade association for the retail financial services sector. TISA works to improve tax incentivised savings schemes and promotion of savings in the UK. TISA works closely with industry, parliamentarians, HM Treasury, HM Revenue & Customs and the Financial Services Authority to enhance and improve the range, features, benefits, promotion and quality of savings schemes available to all savers in the UK. These include Individual Savings Accounts, Child Trust Funds, personal pensions, employer-based schemes, and other consumer-centric, Government savings schemes and savings initiatives.

For more information visit www.tisa.uk.com or email enquiries@tisa.uk.com



CITIZENS ADVICE BUREAUX

WHAT IS A CITIZENS ADVICE BUREAU?

Citizens Advice Bureaux (CAB) were set up in 1939 to help people to resolve their money, legal and other problems.

- The CAB service is the largest advice-giving network in the UK, regularly providing advice from 3,000 locations
- It helped people deal with over 5.7 million new problems last year, in bureaux, by phone and email, at outreach sessions in places like GP surgeries and courts – even in people’s homes
- The CAB service is known by 96 per cent of the public and 41 per cent of people have used the service at some point in their lives
- Bureaux are audited to check the quality of the advice given to clients
- CAB advice is available to everyone regardless of race, gender, disability, sexual orientation, age or nationality
- Every Citizens Advice Bureau is a registered charity reliant on trained volunteers and funds to continue providing this vital service to local communities.

CAB ADVICE IS:

Independent – bureaux always act in the interests of clients, without influence from any outside bodies.

Impartial – advisers don’t judge clients or make assumptions about them. Our service is open to everyone, and we treat everyone equally.

Confidential – advisers won’t pass on anything a client tells them – or even the fact that they’ve visited the bureau – without the client’s permission.

Free – all of the services that bureaux provide are free to access.

TOP FIVE CAB CLIENT PROBLEMS IN 2006/07 (ENGLAND AND WALES)

- Debt (1.7 million new problems)
- Benefits (1.6 million new problems)
- Employment (500,000 new problems)
- Housing (420,000 new problems)
- Legal (300,000 new problems)

HOW CAB ADVISERS CAN HELP?

There are a number of different ways that CAB advisers can help people to resolve a problem. Advisers don’t tell clients what to do, but explain their options and the possible outcomes of different courses of action. Clients are encouraged to make their own decisions and act on their own behalf. We enable clients to manage their own problems by focusing on their needs as individuals.

CAB advisers, most of whom are trained volunteers, can:

- Interview clients face-to-face and by phone to find out what the problem(s) are
- Access our regularly updated electronic information database for up to the minute information
- Help clients to negotiate with companies or service providers, such as creditors, or to appeal against decisions, for example, social security benefit claims
- Write letters or phone companies and service providers on behalf of clients
- Help clients to prioritise their problems, for example, to sort out which debts are most important
- Help clients with form filling, for example, to claim for social security benefits
- Represent clients in court and at tribunals
- Refer clients to CAB specialist caseworkers for complex problems or to other agencies when appropriate.

continued overleaf

CITIZENS ADVICE BUREAUX

continued

WHERE IS ADVICE PROVIDED?

- CAB advice is provided from over 3,000 locations through Citizens Advice Bureaux, online, by email, by telephone, in community venues such as GP surgeries and in courts, prisons, schools and leisure centres
- The majority of bureaux provide home visits
- Some bureaux provide email advice
- People can also access CAB information online at www.adviceguide.org.uk, including frequently asked questions (FAQs) in English, Welsh, Bengali, Chinese, Gujarati, Punjabi and Urdu and factsheets to download
- The Citizens Advice Handbook published by Penguin also provides CAB information - the ultimate survival guidebook to life in Britain today.

HOW CAN I FIND MY LOCAL CITIZENS ADVICE BUREAU?

For details of your local CAB go to www.citizensadvice.org.uk

AFFORDABLE HOUSING



The Financial Fringe

WHY IS HOUSING SO EXPENSIVE?

House prices have risen because demand for housing exceeds the current supply. Planning rules have encouraged developers to build small flats in town and city centres, and while this has played a key role in the regeneration of such areas, fewer properties of other types have been built, which has further contributed to house price inflation.

WHAT ARE MY OPTIONS TO HELP GET A FOOT ON THE PROPERTY LADDER?

Lenders have a wide variety of schemes that are designed to help first time buyers seeking to get a foot on the housing ladder.

SHARED OWNERSHIP

There are a number of shared ownership schemes that allow you to purchase a stake in a property. Most allow you to gradually increase your stake, enabling you own the entire property over time.

Some examples of these are:

- **Open Market HomeBuy:** Allows an eligible buyer (usually existing council tenants and key workers) to buy a minimum 67.5% stake in a home bought on the open market. This means that a buyer isn't restricted to just one type of home, but can buy any property (subject to a number of conditions, not least that it must be of an appropriate size) that they can find.
- **Social HomeBuy:** Allows social housing tenants the opportunity to buy their current home outright or a minimum stake of at least 25%.
- **New Build HomeBuy:** Allows an eligible buyer (usually existing council tenants and key workers) to buy a share in a new or recently renovated property through a Housing Association. A minimum share of 25% must be purchased, and the maximum share allowed is 75%. However, this can be increased over time to full ownership.

The schemes can be accessed via HomeBuy Agents. More details on these schemes and a list of HomeBuy Agents can be obtained from the Housing Corporation on 0845 230 7000 or www.housingcorp.gov.uk

Many housing associations and local authorities also operate shared ownership schemes and many lenders will provide mortgages for buyers of shared ownership properties.

AFFORDABILITY MODELS

Traditionally, mortgages have been given to people on the basis of income multiples, with borrowers usually able to secure a mortgage for around 3.5 times their annual salary.

However, lenders have increasingly started to use affordability models to calculate the amount that they will lend. Unlike income multiples, an affordability model seeks to identify the financial position of the borrower and determines how much they can afford to repay.

This enables people who have a sufficiently high disposable income to borrow more than they would be able to under a traditional income multiple basis for lending.

100% MORTGAGES

A 100% mortgage allows you to borrow 100% of the property's value. This means a borrower does not need to have a deposit. Not every lender offers 100% mortgages. Those that do, may charge a higher rate of interest on this type of loan.

BORROW WHAT YOU CAN AFFORD

Home ownership is expensive – it is not just a matter of financing a mortgage (the costs of which can increase over time), but there are maintenance costs to consider, insurance will be required and utility bills also have to be paid. You should therefore only borrow what you can afford.

OTHER PAGES OF INTEREST IN THIS GUIDE...

Mortgages and Remortgaging

49-50



BASIC BANK ACCOUNTS

WHAT IS A BASIC BANK ACCOUNT?

A Basic Bank Account allows you to receive money and pay bills. However, this kind of account does not allow you to go overdrawn by more than £10, if at all. A Basic Bank Account can be the first step towards opening a regular current account at a later date. Almost everyone should be able to open this kind of account. The bank or building society may want to check your credit history to see if any County Court Judgements (CCJs) have been brought against you or you have been made bankrupt. Even if you have, you may still be able to open an account.

A BASIC BANK ACCOUNT ALLOWS YOU TO:

- Have wages, benefits, pension or tax credits paid directly into the account
- Pay in cheques
- Take money out at cash machines with a cash card
- Withdraw money at the Post Office
- Pay bills by Direct Debit, and
- Some banks will also allow you to pay by standing order.

In order to open a Basic Bank Account, you will need to prove your identity to the bank or building society. Documentation required will be a passport or photo-card driving licence or combination of certain official documents, such as an old-style UK driving licence plus a council tax bill. If you do not have any of these then there is other documentation that can be used, such as:

- A letter from a government department or local authority confirming your right to state benefits
- A letter from a care home manager or warden of sheltered accommodation or refuge
- Confirmation from a young person's workplace or educational institute.

The Financial Services Authority has a leaflet on Basic Bank Accounts. This can be viewed on their website here www.moneymadeclear.fsa.gov.uk or by calling their Consumer Helpline on 0845 606 1234.



CHILD TRUST FUNDS

WHAT IS A CHILD TRUST FUND?

The Child Trust Fund (CTF) is a savings or investment account for children born after 1 September 2002. The Government provide an initial donation of £250 - in the form of a voucher - soon after your child is born. Children in families receiving Child Tax Credit receive an additional £250. A further payment of £250 (or £500 if you receive Child Tax Credit) is made when your child is seven.

No money can be withdrawn from the CTF until your child reaches the age of 18 and it will not affect any benefits or Tax Credits you receive. You, your family and friends can contribute up to £1,200 per year into the account for your child's future. You do not have to pay tax on any interest earned or increase in the value of your money.

WHAT DO I DO WITH THE VOUCHER I RECEIVE FROM THE GOVERNMENT?

The voucher is used to open a CTF account. There are many organisations you can use to do this including banks, building societies, friendly societies, credit unions and high street retailers. You will receive a list of these organisations together with your child's voucher once you have claimed Child Benefit. It's also worth checking www.childtrustfund.gov.uk for an up to date list.

If you lose your voucher, you will need to call 0845 302 1470 between 8am and 8pm or log onto www.childtrustfund.gov.uk for more information.

WHY SHOULD I OPEN AN ACCOUNT?

The sooner you open a CTF for your child the better as it will start to earn interest or receive investment growth as soon as you do so. If you are able to save even a small amount into the account every month in addition to the Government's contribution, then the value of the account when your child is 18 will be much greater.

WHAT SORT OF CTF ACCOUNTS ARE AVAILABLE?

There are three main types of account to choose from:

- **Accounts that invest in shares, bonds or a mix of the two**
With this type of account, you can invest in a wide range of shares, bonds or collective investments. Generally, investments in this type of account will grow more than the same amount held in a cash savings account. It is important to remember that your investment may go down as well as up in value, particularly over the short term.
- **Stakeholder account**
Money in this type of account is spread over a range of collective investments, at least until your child reaches 13. Between your child's 13th and 18th birthdays, the money will be moved from collective investments to investments such as cash or government stock (gilts) and bonds. This means that your child's money is protected from any stock market losses as they approach their 18th birthday. There is a limit on the charges which can be made for running this type of account. If you do not open a CTF for your child within 12 months of receiving your voucher, the Government will automatically open one of these Stakeholder accounts for you.
- **Cash savings account**
Most providers of this type of account are building societies, but other organisations that offer them include banks, friendly societies or credit unions. At age 18 your child will get back the money which has been saved, plus any interest earned. The interest you earn on money in a cash CTF account is often better than in other types of children's savings accounts. However, it is important to remember that the account might not be worth as much as if the money had been invested in shares.

continued overleaf

CHILD TRUST FUNDS

continued

OTHER TYPES OF ACCOUNTS

Shari'a accounts – these are based on Islamic values, as defined by the principle of Shari'a law, and will not invest in areas such as alcohol, tobacco and gambling.

Ethical accounts – these offer a restricted range of investments. For example, shares in companies which deal in arms, tobacco or alcohol may not be offered. Or the shares available may all be for fair trade or environmental companies.

You can find out which organisations offer which types of accounts by visiting www.childtrustfund.gov.uk

CAN I CHANGE CTF ACCOUNTS OR SWAP PROVIDER?

Yes. If you decide you would prefer your child's money or investments to be with a different provider or in a different type of account, you can move the money at any time.

CAN I CHANGE THE INVESTMENTS IN THE CTF?

Yes. You can change your investments at any time but your choice may be limited by what your CTF provider offers. If your current provider does not offer what you want, then you may have to consider transferring your CTF to a provider who does.

WHAT IF WE MOVE ABROAD?

If you move abroad with your child after your CTF is opened, you will still be able to save into the account, but you may not qualify to receive any additional contributions from the Government.

WHAT HAPPENS WHEN MY CHILD REACHES 18?

From the age of 16, your child will have control over their CTF and, from the age of 18, they will have access to the money and investments in the account.

If they do not take the money out it will automatically become an Individual Savings Account (ISA) and will benefit from the advantages of saving in that type of scheme, mainly allowing your child to continue to save without paying tax on income or growth from this investment.

They will then be able to move their money or investments into other types of saving accounts or withdraw the money. The Government are putting an education programme in place so that each child will have a better understanding of financial issues to help them manage their money wisely.

OTHER PAGES OF INTEREST IN THIS GUIDE...

Credit Unions	25-26
Individual Savings Accounts	37-38
Saving – why it's important	55

CHRISTMAS SAVINGS



The Financial Fringe

There are many different ways to save for Christmas and what is best for one individual may well not be the right answer for another. There are a number of different options to consider depending on what your needs are. These include;

- **Building society and bank savings accounts**

You will get interest on your money and you are 100% protected up to £35,000 under the Financial Services Compensation Scheme (FSCS) if the bank or building society were to go bankrupt. Some accounts may require you to give notice to withdraw your money, but usually it is up to you when you take your money out.

- **Credit union savings accounts**

You will not receive interest on your savings but you may get a dividend. You are 100% protected up to £35,000 under the FSCS if the credit union were to go bankrupt. It is up to you when you withdraw your money.

- **Special Christmas savings accounts**

Some building societies, banks and credit unions have special Christmas savings accounts. You will receive interest on your money in a bank or building society and may receive a dividend from a credit union. You are 100% protected up to £35,000 under the FSCS if the bank, building society or credit union were to go bankrupt. Most of the bank and building society accounts 'lock' the money away until just before Christmas when you can withdraw it. You may also get a bonus on the account. The Post Office also offers a Christmas account.

- **Christmas hamper and voucher schemes**

These companies have agreed with the Government to set up safeguards for your money and are working to put these arrangements in place – ask them about the current position before you use them. These schemes can usually pay out in vouchers. They pay out just before Christmas and you may get a bonus. Your money can be collected from your home, but you will not receive any interest on your savings.

- **Other types of Christmas saving**

These include Christmas clubs with local shops (such as butchers), hamper schemes from your milkman and supermarket stamp schemes. You will not receive interest on these types of accounts, but may receive a bonus depending on the scheme. The money is usually 'locked' away until just before Christmas. If the shop or company closes or goes bust you are unlikely to get all your money back.

All of these options have different benefits and risk but amongst the factors you may wish to take into account are:

- Is there any protection if something goes wrong?
- Do you get interest (or a dividend) on your savings?
- Is it difficult to take money out before Christmas?
- Will someone collect the money from your home?
- Can the pay-out be in vouchers?
- Does it pay out just before Christmas?
- Do you have to buy from a particular supplier?

You may well want to put aside a small amount each week to help pay for Christmas. Find out what choices are open to you locally – not all options are available in every area. You have to decide what's important for you, but remember you can discuss your choices with friends or family or with your local Citizens Advice Bureau.

Thanks to the Office of Fair Trading for their help on this page.

OTHER PAGES OF INTEREST IN THIS GUIDE...

Credit Unions	25-26
Financial Services Compensation Scheme	29
Saving – why it's important	55



COMPLAINTS ABOUT A FINANCIAL SERVICES ORGANISATION – THE PROCESS

HOW DO I MAKE A COMPLAINT?

If you're not happy with the service you receive from your financial institution and you wish to make a complaint, your first step is to make a formal complaint to the company involved. Financial institutions are obliged to tell you how to make a complaint and their procedures for dealing with them. It is possible that the institution concerned will subscribe to an industry code of conduct (see below). In such cases, you may wish to refer your complaint for further investigation. The institution involved should be able to give you further information.

If, when you have fully exhausted this route, you are still not happy with the outcome or any compensation you may have received, the next step is to approach the Financial Ombudsman Service (FOS).

The FOS is an independent body that settles disputes between businesses providing financial services and their customers. It considers complaints about a wide range of financial matters – from insurance and mortgages to investments and bank accounts. It looks at the issue from a neutral position and having given both sides a fair hearing, will reach a resolution to the dispute.

More information on the FOS can be found at www.financial-ombudsman.org.uk or by calling the consumer helpline on **0845 080 1800** or email complaint.info@financial-ombudsman.org.uk

INDUSTRY CODES OF CONDUCT

Industry codes of conduct exist to set standards of good practice that you can expect when dealing with a financial institution – be it your bank, building society, a store card provider or leasing company.

As a consumer there are two key codes that you should be aware of:

The Banking Code

This is a voluntary code that subscribing banks and building societies follow when they are dealing with personal customers in the UK. It provides valuable protections and explains how financial institutions are expected to deal with their customers day-to-day and in times of financial difficulty.

The Banking Code applies to:

- Current accounts, including Basic Bank Accounts
- Savings and deposit accounts, including ISAs and cash deposit Child Trust Funds (CTFs)
- Payment services, including foreign-exchange services
- Cards and PINs
- Loans and overdrafts.

The Code is monitored and enforced by the Banking Code Standards Board (BCSB). To find out more on the BCSB and its role please visit www.bankingcode.org.uk

Your bank or building society will give you a copy of the Code upon request; alternatively you can download a copy from www.apacs.org.uk, www.bba.org.uk, www.bsa.org.uk

continued overleaf

INDUSTRY CODES OF CONDUCT

continued

The Finance & Leasing Association (FLA) Lending Code

The FLA Lending Code sets standards of good practice for the finance and leasing industry. It is intended to reassure anyone who applies for finance from a full FLA member that they are dealing with a reputable organisation. It sets out the key commitments and principles that the FLA requires its members to follow. It includes specific provisions about dealing with customers who have mental health difficulties (see also mental incapacity page).

The FLA Lending Code relates to all consumer credit, hire or lease agreements and covers any of the following types of agreement:

- Loans taken out through a supplier of goods and services
- Loans taken out through a credit broker
- Store cards
- Credit cards
- Personal loans (e.g. a bank loan)
- Revolving credit loans
- Variable-rate loans
- Motor loans
- Loans to pay insurance premiums.

The Code also covers the sale of payment protection insurance (PPI).

The FLA offers a free conciliation scheme for consumer complaints where the complaint is made against one of its members. The FLA will conciliate at any time before the matter is referred to the FOS.

The FLA Lending Code is monitored by an independent group consisting of consumer representatives, industry practitioners and an independent Chairman. To find out more or to obtain a copy of the Code, visit www.lendingcode.org.uk

FLA Business Code

The FLA also operates a Business Finance Code which sets out standards of good practice for the finance and leasing industry in the conduct of transactions with business customers, for example those who lease office equipment. To find out more visit www.businessfinancecode.org.uk

OTHER PAGES OF INTEREST IN THIS GUIDE...

Mental Capacity

45-46

CREDIT CARDS



The Financial Fringe

CHOOSING AND USING A CREDIT CARD

A credit card is a convenient short-term way to borrow money, often offering a period of interest-free credit. But if you're thinking about borrowing money it is important to ensure that you choose a product that best suits your needs; in some circumstances a personal loan or overdraft facility may be more appropriate. Remember that you have to pay back what you borrow. Think about the purpose for which you need to take out credit - is it a luxury or a necessity?

Credit is not free money; the golden rule is that if you can't afford to make repayments on your debt then you should not be borrowing at all. Used sensibly, credit cards offer many benefits, but used irresponsibly could lead to unplanned borrowing that you could find difficult to repay.

Getting a credit card is as much about responsible borrowing as it is about responsible lending. Currently around 40 per cent of all applications are turned down.

Some key points to consider when choosing a card:

- Think about why you want a credit card – is it the best borrowing tool for you?
- How do you intend to use the card – pay it off in full every month, or spread the cost of an expensive item?
- Do you want to take advantage of special offers such as interest-free periods, points schemes or support a charity or organisation with an affinity credit card?

One of the best ways to compare credit cards is to get copies of the Summary Boxes of the cards you're interested in. The Summary Box appears in marketing material for all cards, as well as on statements and contains, as a minimum, the following main features that should be considered:

- **Annual Percentage Rate (APR)** – this is an overall measure of the total cost of borrowing on a credit card and will include not just the interest rate but any compulsory fees as well. You can compare it between credit cards. Generally, the lower the APR the cheaper the card.
- **Monthly interest rates** – this is the cost each month of borrowing on the card and may vary for different kinds of transaction - purchases, cash advances, balance transfers and so on.
- **Interest free period** - many credit cards have an initial interest free period, which means there is no charge for borrowing for a set time. Usually this only applies to purchases and balance transfers.
- **Charges** – the charges you might incur when using your card, for example for cash advances or when abroad.
- **Allocation of payments** – when you make a payment to your credit card account to clear your outstanding debts your card issuer may pay off different kinds of borrowing in a particular order. That order will be explained in the terms and conditions for the card and in the Summary Box.
- **Minimum repayment** – every month that you have an outstanding balance you have to make a payment. This tells you the minimum amount you must repay.
- **Fees** - any monthly or annual fees on your card are listed here. If your card does not have a fee, the box will say "none" or "not applicable". Any conditions will also be shown here.
- **Default charges** - if you breach the terms of your agreement, for example by failing to pay the minimum repayment or by going over your credit limit, your card company may charge you.

For more information please visit www.apacs.org.uk or www.choosingandusing.com

CREDIT SCORING



The Financial Fringe

WHAT IS CREDIT SCORING?

Credit scoring is the system most major banks, building societies and finance companies use when considering applications for borrowing. It takes account of information you provide in your application, any information a lender may already have about you, and any information the lender may get from other organisations such as credit reference or fraud-prevention agencies. A credit reference agency keeps and securely stores data (see below) to enable financial institutions and other organisations extending credit to use this information to help them lend responsibly.

The credit scoring system gives points for each piece of relevant information and adds these up to produce a score. If your score reaches a certain level, the lender will generally accept your application. If your score does not reach this level, the lender may not accept your application (see below). Lenders may sometimes use scores worked out by credit reference agencies when considering your application. The points are based on a thorough analysis of repayment histories. This allows lenders to identify characteristics that predict how likely someone is to pay back any lending.

IF I AM REFUSED CREDIT BY ONE LENDER, CAN I GET IT ELSEWHERE?

Lenders do not have to accept an application. Each lender applies its own policies and scoring systems, so applications may be assessed differently by different lenders. This means that one lender may accept your application but another may not. If your application is turned down, the reasons for this decision are not shared with credit reference agencies.

If the lender cannot accept your application, it will tell you the main reason why you have not met its lending criteria. For example:

- You may not have passed the required credit score
- Your level of income may suggest you may have difficulty repaying further credit comfortably.

You may ask the lender to reconsider its decision. In this case, you will generally be asked to provide extra information.

WHAT TYPES OF INFORMATION DOES A CREDIT REFERENCE AGENCY HOLD?

Credit reference agencies hold different types of information, such as:

- Information from the electoral register
- Details of any court judgments or bankruptcies in your name
- A record of current and past credit commitments (for example, credit cards, store cards, loans, hire purchase agreements, mortgages, mobile phone agreements, current account overdrafts and mail order credit agreements) that you have held in the last six years
- Details of any searches of your credit file.

SHOULD I CHECK MY CREDIT FILES?

Yes. It is sensible to check your credit files at least once a year. This means you can ensure that the information being held on you is correct and provides an easy check to make sure you haven't been the victim of identity theft.

continued overleaf

CREDIT SCORING

continued

HOW DO I GET A COPY OF MY CREDIT FILE?

To get a copy of your credit file, contact one of the credit reference agencies (details listed below). If you ask for a copy in writing, you will need to send a fee of £2 (cheque or postal order) and provide your full name, date of birth and all addresses you have lived at during the past six years.

CREDIT REFERENCE AGENCIES

Callcredit Limited
PO Box 491
Leeds LS3 1WZ
Phone: 0870 060 1414
www.callcredit.co.uk

Equifax plc
Credit File Advice Centre
PO Box 1140
Bradford BD1 5US
Phone: 0870 010 0583
www.equifax.co.uk

Experian
Consumer Help Service
PO Box 8000
Nottingham NG80 7WF
Phone: 0870 241 6212
www.experian.co.uk

HOW TO IMPROVE THE INFORMATION HELD IN YOUR CREDIT FILE

Getting credit can be essential for everyday living, and being refused is frustrating. So how can you improve your chances of being approved for credit?

- **Keep up to date with existing credit**
Paying your existing credit card and loan repayments on time will show that you're likely to be able to meet future credit payments.
- **Be patient, not persistent**
If you're refused credit for a product or service, don't keep reapplying as this may lower your score. Wait a couple of months before making further applications.
- **Get yourself on the electoral register**
Banks, finance companies and retailers carry out this standard check to make sure you are registered at the addresses you provide.
- **Don't leave out previous addresses**
If you've moved a lot in the last three years, don't be tempted to leave out any previous addresses. This could be seen as an attempt to conceal unpaid credit at that address and may be treated as suspicious.
- **Be honest about your credit history**
If you've been in difficulties in the past and not been able to meet your repayments, or you've got County Court Judgements against you, be open about it as this information is easily traced.
- **Settle bad debt**
Although unpaid credit and County Court Judgements will stay on your file for six years, they will be marked as settled once you pay the debt. This could be taken into account when you're making future applications.
- **Get the facts**
If you're still puzzled at why you've been refused credit, contact a credit reference agency (details above) to get a copy of your credit file. This will show you all the information about you that lenders can see.
- **Dispute any inaccuracies**
Once you have your credit file, check all the details carefully. If you find any incorrect information, tell the agency. You can also add a note to your file, to explain any special circumstances.

OTHER PAGES OF INTEREST IN THIS GUIDE...

Debt
Fraud

27
31-33

CREDIT UNIONS



The Financial Fringe

WHAT IS A CREDIT UNION?

Credit unions aim to help you take control of your money by encouraging you to save what you can, and borrow only what you can afford to repay. They are community savings and loans co-operatives, where members pool their savings, which are then used to make loans to other members.

Credit unions are owned and controlled by their members, and they are run in a "not for profit" way. This means they do not have to pay profits to outside shareholders. Instead the profit made by a credit union is shared evenly among savings accounts (this is called the dividend). Credit unions also reinvest some of their profit to improve the services that they give to members.

WHO CAN JOIN A CREDIT UNION?

Each credit union has a "common bond" which determines who can join. The common bond may be for people living or working in the same area, or for people who are working for the same employer. Some credit unions are for people who belong to the same association such as a trade union or church.

As long as one member of a family meets the common bond requirements and has joined the credit union, the other family members living at the same address can usually join it to.

WHAT SERVICES DO CREDIT UNIONS OFFER?

All credit unions offer savings and loans. Most also offer free life or loan-protection insurance, and some offer other insurance products including travel, motor, home insurance and funeral plans. The larger credit unions offer extra services like:

- Christmas savings accounts
- Cash-based Child Trust Funds
- Individual Savings Accounts (ISAs)
- Budgeting accounts
- Current accounts (features may vary)
- Debt management.

SAVING WITH A CREDIT UNION

You can pay money into your account in several ways:

- Direct from your wages via payroll deduction
- By Direct Debit or standing order
- In cash at your credit union office or collection point
- You can have State benefits paid in directly into you account
- In some places you can pay in using PayPoint cards.

You can take money out:

- By cashing a cheque at a local Post Office
- Get cash from your local credit union office
- By arranging for money to be paid directly into a bank account
- If your credit union operates a current account you can use your debit card at a cash machine.

You will normally receive a dividend on your savings, this is usually paid annually (this is a bit like receiving interest on your savings). Your savings are protected by the Financial Services Compensation Scheme (FSCS).

continued overleaf

CREDIT UNIONS

continued

BORROWING FROM A CREDIT UNION

Credit union lending methods vary. Some will lend to you as soon as you become a member. However, they will need to make sure you have enough money left after paying your bills to be able to afford to repay the loan. Others will only lend to you once you have saved with them for a set period of time.

All credit unions can lend small amounts of money for all purposes. Some credit unions can lend larger amounts over longer periods of times, for example to buy a car, or for home improvements.

When you borrow from a credit union you normally get free life insurance to cover the value of the loan, this means the loan is repaid if you die before paying it back in full.

The maximum interest on a loan from a credit union is 26.8% APR, or 2% a month on a reducing balance. Many loans will be charged at a lower rate of interest. Check with your local credit union for their interest rates.

HOW CAN I FIND A CREDIT UNION?

You could ask your local council or your local Citizens Advice Bureaux. Alternatively, most credit unions are a member of a trade association and they will be able to tell you whether there is a credit union near you. The main trade association is ABCUL – the Association of British Credit Unions Ltd: 0161 832 3694 or www.abcul.org. The following organisations may also be able to help:

ACE Credit Union Services

0191 244 4061

www.acecus.org

Scottish League of Credit Unions

0141 774 5020

www.scottishcu.org

UK Credit Unions Ltd (UKCU)

01706 215 082

www.ukcu.co.uk

To find out more about credit unions contact the Financial Service Authority Consumer Helpline on 0845 606 1234 and ask for the *Money Made Clear* guide to Credit Unions or download it at www.moneymadeclear.fsa.gov.uk

OTHER PAGES OF INTEREST IN THIS GUIDE...

Christmas Savings	17
Child Trust Funds	15-16
Financial Services Compensation Scheme	29
Individual Savings Accounts	37-38
Saving – why it's important	55



DEBT

TEN TIPS ON HOW TO DEAL WITH DEBT

1. Don't panic! And don't ignore the problem, it won't go away.
2. Talk to your creditors and let them know you are having problems.
3. Don't take out additional credit or add to existing credit, like your credit cards - you'll only get yourself in worse trouble.
4. Don't pay off the person who is shouting the loudest, but pay the most important ones – for example, loans secured against an asset (e.g. your mortgage or a car bought on hire purchase or conditional sale) rent, council tax and gas and electricity. Otherwise you will be in danger of losing your home or car, having your gas and electricity cut off, or ending up in court and possibly prison.
5. Don't ignore court papers.
6. Check your income and see if there is anything you are entitled to receive that you are not getting. For example, tax credits can be quite generous.
7. Look carefully at your spending and see if there is anything you are able to cut down on, but don't be over ambitious or you will not stick to it.
8. Work out how much you can realistically afford to pay.
9. You should consider carefully before taking out a loan to pay off all your debts. You may end up paying back a lot more than you borrowed; you may not be able to afford the repayments; and the loan may be secured against your home which you could then lose.
10. Don't pay for advice. The Citizens Advice Bureaux gives free, independent and confidential advice. They will help you work out repayments and negotiate with your creditors, and also help you keep out of debt in the future.

WHERE CAN I GO FOR HELP?

Although your lender will try to provide you with any further help that you need, there are other organisations you can contact. You do not need to pay for debt advice. Any of the organisations below will be happy to help you.

- Your local **Citizens Advice Bureau** will give free, independent and confidential advice. They can help you work out repayments and negotiate with your creditors. For details of your local CAB, including those that give advice by email, go to www.citizensadvice.org.uk
- **National Debtline** is a national phone helpline for people with debt problems in England, Wales and Scotland. Their service is free, confidential and independent. Their freephone number is: 0808 8084000. Website: www.nationaldebtline.co.uk
- **The Consumer Credit Counselling Service (CCCS)** is a registered charity which provides independent and confidential counselling on personal budgeting, advice on using credit wisely and, where appropriate, achievable plans to repay debts. If you would like to talk to a CCCS counsellor, call 0800 138 1111. Website: www.cccs.co.uk

For general information about debt, bankruptcy and other issues go to www.adviceguide.org.uk

OTHER PAGES OF INTEREST IN THIS GUIDE...

Citizens Advice Bureaux	9-10
Mortgage Arrears	47



FINANCIAL SERVICES COMPENSATION SCHEME (FSCS)

The FSCS helps protect you against financial loss when firms regulated by the UK's financial regulator, the Financial Services Authority (FSA), are unable, or likely to be unable, to pay claims against them. This is usually because a firm has stopped trading and has insufficient assets to meet claims or is insolvent – commonly referred to as being *in default*. The FSCS considers claims and pays compensation only when they cannot be paid by anyone else, which is why they are described as a fund of last resort. The FSCS is an independent body set up by law and is free to consumers.

WHAT DOES THE FSCS PROTECT?

- Deposits
- Insurance policies
- Insurance broking (for business on or after 14 January 2005)
- Investment business (for business conducted on or after 28 August 1988)
- Mortgage advice and arranging (for business on or after 31 October 2004).

If the firm is authorised by the Financial Services Authority, you may be able to claim from the FSCS. The FSA website www.fsa.gov.uk will give you more details about which firms are authorised.

WHAT COMPENSATION DO I GET IF A FIRM IS DECLARED IN DEFAULT AND CANNOT MEET MY CLAIM?

This will depend on the type of product you have.

Deposits: A maximum of £35,000 per person (for claims against firms declared in default from 1 October 2007). 100% of the first £35,000. Joint account holders are each entitled to claim compensation.

Note: for deposit claims against firms declared in default before 1 October 2007, the maximum level of compensation is £31,700 (100% of £2,000 and 90% of the next £33,000).

Investments: A maximum of £48,000 per person. 100% of the first £30,000 and 90% of the next £20,000.

Mortgage advice and arranging: A maximum of £48,000 per person (for business conducted on or after 31 October 2004). 100% of the first £30,000 and 90% of the next £20,000.

Long-term insurance (e.g. pensions and life assurance): Unlimited. 100% of the first £2,000 plus 90% of the remainder of the claim.

General insurance: Unlimited. Compulsory insurance (e.g. third party motor): 100% of the claim.

Non-compulsory insurance (e.g. home and general): 100% of the first £2,000 plus 90% of the remainder of the claim.

General insurance advice and arranging: Unlimited (for business conducted on or after 14 January 2005). 100% of the first £2,000 plus 90% of the remainder of the claim. Compulsory insurance is protected in full.

HOW DO I MAKE A CLAIM?

You will need to contact the FSCS directly. You can visit their website for more information www.fscs.org.uk, call their Customer Services Team on 020 7892 7300 or email enquiries@fscs.org.uk

You can also write to:

Financial Services Compensation Scheme

7th floor, Lloyds Chambers
Portsoken Street
London E1 8BN

Thanks to the FSCS for their help on this page.

FRAUD



The Financial Fringe

Being a victim of fraud is never a pleasant experience. One of the best ways to avoid becoming a victim is to understand the different types of fraud and how to protect yourself against them.

PLASTIC CARD FRAUD

Card-not-present (CNP) fraud

This is when fraud is conducted in non face-to-face transactions either over the internet, by phone or by mail order. The crime most commonly involves criminals stealing your card details, for example from discarded receipts or by copying down your details during a transaction.

Counterfeit card fraud (skimming)

This is when fraudsters make an illegal copy of your credit or debit card's magnetic stripe and use it to create a fake card. Most of this fraud involves skimming, where the magnetic stripe data (on the back of the card) is electronically copied by a criminal using a handheld card-reading device or one that is fitted to a cash machine or a PIN pad. These fake cards are then used in countries that haven't upgraded to chip and PIN.

Lost and stolen card fraud

When your card is physically stolen or lost, and then used by a criminal posing as you.

Mail-non-receipt card fraud

When your new card – being sent to you by your card company – is stolen and then used by fraudsters. At particular risk for this type of fraud are properties with communal letterboxes, such as flats and student residence halls.

Identity theft on cards

Occurs when a criminal uses your fraudulently obtained personal information to open or access card accounts in your name. There are two types:

- **Application fraud** – stolen or false documents are used to open an account in your name. Criminals steal documents such as your utility bills or bank statements to build up usable information. Alternatively they may use counterfeit documentation for identification purposes.
- **Account take-over** – by obtaining key personal information criminals are able to take over the running of your account. By pretending to be you the criminal will try to deceive your bank or card company and arrange for payments to be taken from the account. The criminal may also instruct the bank to change various details of the account, such as the address, and then ask for new cards and chequebooks to be issued.

Cash machine fraud

Fraud carried out by using stolen or counterfeit cards at cash machines.

CHEQUE FRAUD

There are three main types of cheque fraud in the UK: counterfeit, forged and fraudulently altered cheques. The way the cheque clearing cycle in the UK works means that until the money from a cheque is definitely yours at the end of the 6th day after you have paid the cheque into your account, there is a risk that the money could be reclaimed if the cheque turns out to be forged, fraudulently altered or counterfeit. Fraudsters try to take advantage of consumers' general lack of understanding about how the system works to commit fraud against them.

continued overleaf

FRAUD

continued

ONLINE BANKING FRAUD

Most online banking fraud focuses on obtaining a user's details either by using a software virus like spyware or by tricking them into typing their password or PIN into a fake website – a technique known as "phishing".

Phishing is the name given to the practice of sending emails at random, purporting to come from a genuine company operating on the internet, in an attempt to trick customers of that company into disclosing information at a bogus website run by fraudsters. Quite often these emails claim to be from your bank and state that it is necessary to 'update' or 'verify' your password and they urge you to click on a link in the email that takes you to a bogus website. Any information entered on the bogus website will be captured by the criminals for their own fraudulent purposes.

PROTECTION WHEN SHOPPING ONLINE

Secure payment systems have been introduced by Visa and MasterCard for safer online purchases. Online shoppers should register with *Verified by Visa* or *MasterCard SecureCode* whenever they are given the option of doing so. Cardholders simply need to register a private password with their card issuer for use when shopping online at participating retailers. This password allows card issuers to confirm a cardholder's identity for the retailers when a genuine customer is using their card online.

SOME TIPS FOR KEEPING SAFE FROM FRAUD

- Don't let your cards or your card details out of your sight when making a transaction.
- Destroy – preferably shred – any documents or receipts that contain personal financial information when you dispose of them.
- Never write down or disclose PINs, login details or passwords in response to unsolicited emails or phone calls claiming to be from your bank or the police.
- When entering your PIN in a shop or a cash machine try to use your spare hand to shield the number from prying eyes or hidden cameras.
- Only divulge your card details in a telephone transaction when you have instigated the call and are familiar with the company.
- Make sure your computer has up-to-date anti-virus software and a firewall installed.
- If you have registered your card for online protection via *Verified by Visa* and *MasterCard SecureCode* ensure your password is kept safe and secure.
- Access Internet banking or shopping sites by typing the address into your web browser. Never go to a website from a link in an email and then enter personal details.
- Shop at secure websites by ensuring that the security icon (locked padlock or unbroken key symbol) is showing in the bottom of your browser window.
- Don't accept a cheque or banker's draft from someone unless you know and trust them. Be especially wary when accepting a high-value cheque.
- Check receipts and chequebook stubs against statements carefully. If you find an unfamiliar transaction, contact your bank or card company immediately.
- Store your statements, receipts, chequebook and documents that contain information relating to your financial affairs safely and destroy or preferably shred them when you dispose of them.

If you discover that your card has been lost, compromised or stolen or that you have been the victim of a fraud tell your card company, bank or building society immediately.

For more information please visit www.cardwatch.org.uk or www.banksafeonline.org.uk

continued overleaf

FRAUD

continued

VEHICLE FRAUD

The process of buying or selling a vehicle is usually straightforward, but both buyers and sellers can leave themselves open to fraud or other crimes. The advice below is to help you avoid being a victim of crime. When buying a car:

- You should check to make sure that the vehicle you are buying is the property of the seller and has not been stolen. This is particularly important for second-hand vehicles. When buying privately it's wise to research the seller as well as the vehicle.
- Check that the vehicle identification number (VIN) matches that on the documents.
- Do not buy if the seller cannot produce the vehicle registration document and other documentation (e.g. the MOT or, for a new vehicle, the purchasing correspondence). Confirm the service history with the garages shown, if possible. Check that the MOT certificate is valid at www.motinfo.gov.uk (you will need the Test Number from the MOT certificate to do this).
- Consider having the vehicle professionally examined before you buy, either through a motoring association, private company or garage.
- There are different ways you can pay for a vehicle - to find out about the various options log on to www.financingyourcar.org.uk
- The Internet can be a source of bargains and is increasingly popular and useful. However it is also used by criminals to sell vehicles that are stolen or do not exist. Most sites do provide safeguards for buyers and sellers. Understand the rules of the site and how it works.

For a consumer guide to buying and selling a car visit

www.met.police.uk/fraudalert/news/buying_selling_vehicles.htm

OTHER PAGES OF INTEREST IN THIS GUIDE...

Credit Scoring

23-24



INDEPENDENT FINANCIAL ADVICE

WHAT IS AN INDEPENDENT FINANCIAL ADVISER (IFA)?

An IFA is your agent and represents your interests; they are unbiased and independent from financial product providers. They will assess your circumstances and provide solutions to meet your financial objectives.

WHAT ARE THE BENEFITS OF USING AN INDEPENDENT FINANCIAL ADVISER?

If you are seeking advice on your personal financial affairs you should see an independent financial adviser. If the solution is a financial product they will search the market to find the product that is most suitable for your needs and requirements. All IFAs are regulated by the Financial Services Authority (FSA) and must follow the FSA's Conduct of Business rules as well as the FSA's principles.

DO I HAVE TO PAY FOR ADVICE?

All financial advisers charge for their services and this can be done through commission or fees. IFAs must offer a fee-based service. If you choose to pay by commission, this is deducted by the provider through the charges on the products you purchase. Information about all adviser charges must be provided clearly and transparently.

WHERE CAN I FIND AN IFA?

You can find an IFA by contacting the IFA Promotion Consumer Hotline on 0800 085 3250 or at www.unbiased.co.uk. You could also ask people you know if they can recommend anyone, in particular professional connections such as accountants or solicitors.

MORTGAGE ADVICE

WHAT IS A MORTGAGE INTERMEDIARY?

If you are considering buying a new house, moving house, raising money for home improvement or making any changes to your mortgage, a mortgage intermediary provides unbiased advice on the options and which mortgage is best for you.

WHAT ARE THE BENEFITS OF USING AN INDEPENDENT MORTGAGE INTERMEDIARY?

A mortgage intermediary acts on your behalf to look across the market to find the most suitable mortgage for you. They do not limit their search to products from high street lenders and can save you thousands of pounds over the lifetime of a mortgage. Intermediaries will only recommend products that are suitable to you, based on your circumstances and attitudes to financial affairs.

HOW ARE MORTGAGE INTERMEDIARIES PAID?

All mortgage intermediaries charge for their services; some are paid by commission from the lender while others charge a fee. Sometimes there will be a combination of both. Information about all adviser charges must be provided clearly and transparently.

WHERE CAN I FIND A MORTGAGE INTERMEDIARY?

Mortgage intermediaries can usually be found operating in most local communities (occasionally in Estate Agents). Intermediaries also advertise in newspapers and magazines or you can search for them on the Internet.



INDIVIDUAL SAVINGS ACCOUNTS

(BASED ON REGULATIONS APPLICABLE FROM 6 APRIL 2008)

WHAT IS AN INDIVIDUAL SAVINGS ACCOUNT?

An Individual Savings Account (ISA) allows individuals to save money without paying tax.

There are two different types - a cash ISA and a stocks and shares ISA. Many ISA managers only offer one type of ISA, some offer both types. You can save up to £7,200 in any one tax year (6 April – 5 April). You can put money in and take money out at any time. You do not have to declare the money or investments you have in your ISA on any forms from your Tax Office or when claiming any income-related benefits, such as Incapacity Benefit and Carers Allowance.

CASH ISA

A cash ISA is a good idea for short to medium term savings. You can get your money out quickly and easily and they usually pay better rates of interest than other types of savings accounts. You can save up to £3,600 every tax year in a cash ISA.

STOCKS AND SHARES ISA

A stocks & shares ISA may be more appropriate for medium to long term savings. In this type of ISA, your money can be invested in individual shares, collective investments, Government stocks (gilts) or bonds. Over a number of years, you usually get a better return on your investment than interest from cash but it is important to remember that your investment may go down as well as up in value, particularly over the short term. You can save up to £7,200 every tax year in a stocks and shares ISA. However, if you also put money into a cash ISA in the same tax year, that must be treated as part of the £7,200.

WHERE CAN I GET AN ISA?

You can get an ISA from an ISA manager or provider. These include banks, building societies, insurance companies, fund managers, financial advisers and stockbrokers. You can also get an ISA from many other organisations including friendly societies, credit unions, some shops and supermarkets.

HOW MANY CAN I HAVE?

You can have one cash ISA and one stocks and shares ISA in every tax year up to a total limit of £7,200. This can be spread across the two types of ISA but with a maximum of £3,600 in cash.

An example of saving in ISAs

You save £1,200 in a cash ISA at the beginning of the tax year. In the same tax year you could save up to another £6,000 in ISAs. This could be up to £2,400 in the same cash ISA and the remaining allowance in a stocks and shares ISA with either the same or another provider.

WHAT WILL IT COST ME?

It doesn't cost anything to open a cash ISA. For a stocks and shares ISA, you may have to pay a charge to open it and there is usually an annual charge.

continued overleaf

INDIVIDUAL SAVINGS ACCOUNTS

continued

SO WHAT ARE THE TAX ADVANTAGES?

If you have a cash ISA, there is no tax to pay on any interest earned. If you have a stocks and shares ISA, there is no income or capital gains tax to be paid on any income from or growth on your investments. Also, you do not have to declare your ISA savings or investments on your tax return.

CAN I CHANGE MY MIND?

Yes. You can take your money out at any time.

You can also change your ISA. If you have a stocks and shares ISA you can transfer this to a stocks and shares ISA with a different manager. If you have a cash ISA you can transfer this to either a stocks and shares ISA or to a cash ISA with another ISA manager. Some ISA managers do not allow you to transfer part of your ISA, some may charge you and some may insist that you sell any investments and transfer the cash.

CAN I CHANGE THE INVESTMENTS IN MY ISA?

Yes. You can change your investments at any time but your choice may be limited by what is allowed to be held in an ISA and by what your ISA manager provides. If your current manager does not provide what you want, then you may consider transferring your ISA to a manager who does.

WHAT IF I MOVE ABROAD?

If you move abroad your money can stay in your ISA and you can transfer it to a different ISA manager, but you will not be able to put any additional money into the ISA.

WHAT IF I DIE?

When you die, your ISA will end. There will be no tax to pay on any interest, income or capital earned on your savings and investments up until the date of your death. Tax on everything earned after your death will have to be paid by your beneficiaries. Your ISA manager may sell your investments and pay the proceeds to your beneficiary or may transfer the investments into their name.

Your ISA does form part of your estate for Inheritance Tax purposes. However, the proceeds of your ISA can be paid to your spouse or civil partner without incurring Inheritance Tax liabilities.

OTHER PAGES OF INTEREST IN THIS GUIDE...

Investment Funds	43
Saving – why it's important	55



INSURANCE - GENERAL

MOTOR INSURANCE

WHAT DOES MOTOR INSURANCE DO?

The cover motor insurance provides ranges from third party to comprehensive.

- **Third party** - provides the minimum level of cover required by law. It pays compensation to anyone the driver might injure or whose property they might damage. It does not provide any cover for the driver's own vehicle or property.
- **Comprehensive cover** - this offers protection for accidental damage, theft and fire damage for both the policyholder and third parties.

WHAT SHOULD I CONSIDER WHEN BUYING MOTOR INSURANCE?

Policy Limits and/or Excesses

- **Policy limits** are the maximum an insurer will pay out in the event of a claim, for example, the vehicle's market value. An excess is the amount you must pay towards a claim. It may be a compulsory excess, for example when the vehicle is being driven by a young driver, or a voluntary one, which the policyholder elects to take in return for a reduced premium. Make sure you are aware of these as part of the terms and conditions of your policy.
- **Insured drivers** - a person(s) specifically named in the policy who is insured to drive the vehicle.
- **Vehicle use** - make sure that your policy covers how you will use your car e.g. commuting, business.
- **Driving other cars** - many policies cover the policyholder while driving a car which belongs to someone else with their permission. However, cover will be limited to third party only, even if you have a comprehensive policy for your own car. Accidental damage to the borrowed car will not be covered by your insurance.

COMMON EXCLUSIONS TO BE AWARE OF

Theft by deception - if you are selling your car make sure you receive proper payment before parting with it. Also theft of portable electronic equipment such as satnav systems, unless locked away out of sight, or theft of keys if left in the vehicle.

HOUSEHOLD INSURANCE

There are two main types.

- **Buildings insurance** protects you against damage to the structure of your home together with its fixtures and fittings.
- **Home contents insurance** protects you against damage or loss of the possessions that you would normally take with you if you moved. Both policies cover you against a stated list of perils for example; fire, subsidence, theft, flood and storm, as well as providing important cover for your legal liabilities as a homeowner.

WHAT SHOULD I CONSIDER WHEN BUYING HOUSEHOLD INSURANCE?

Read the policy - you should understand the level of cover it will provide and the circumstances in which a claim can be made. It will also explain what is not covered and any excesses. If you need any points clarifying, speak with your insurance company or insurance adviser.

Extensions of Cover - for an additional premium, you can widen your policy to cover "accidental damage" and/or "all risks" to cover items which you regularly take out of the house such as cameras etc.

Security - some insurers require the installation of approved alarms and/or minimum-security fittings before providing cover. Check whether this applies.

continued overleaf

INSURANCE - GENERAL

continued

WILL I BE ABLE TO OBTAIN FLOOD COVER?

The Association of British Insurers' (ABI) Statement of Principles on flood insurance commits member companies to continue to provide flood cover for the vast majority of customers in the UK where the flood risk is 1 in 75 years or less and for existing customers in those areas of significant risk where there are plans to improve flood defences within five years.

WHAT IS THE INSURANCE INDUSTRY DOING TO HELP OLDER PEOPLE OBTAIN INSURANCE?

The ABI set up an 'Older People's Task Force' involving insurers, brokers and the age charities to find industry-led solutions to improve access to travel and motor insurance for the over 65s.

OTHER PAGES OF INTEREST IN THIS GUIDE...

Insurance - protection

41



WHY SHOULD I TAKE OUT PROTECTION INSURANCE?

Protection insurance provides financial peace of mind. People's insurance needs vary - you might have only a small amount of savings, be reliant on two incomes to get a property, be self-employed, or have a family. People therefore take out insurance to cover their mortgage and other debts, replace a loss of earnings, protect their family and/or cover the costs of becoming infirm in old age.

THERE ARE DIFFERENT TYPES OF PROTECTION INSURANCE TO CONSIDER:

- **Private Medical Insurance**

Private Medical Insurance pays for treatment for curable, short-term illness or injury (acute conditions). It does not pay for conditions that exist before or at the time you take out your policy. You must have a referral from your GP and authorisation from your insurer to start treatment.

- **Critical Illness insurance**

Critical Illness insurance pays a lump sum if you either die or are diagnosed with one of a specified list of critical illnesses.

- **Income Protection insurance**

Income Protection insurance pays an income if you become unable to work for a long period due to illness or accidental injury. You can take out cover for around half your previous gross earnings. The income starts after an agreed period, typically 3 - 6 months, and continues to be paid until you are fit to return to work, or the policy ends.

- **Life insurance**

Life insurance pays a lump sum to your beneficiaries if you die. Whole of Life insurance covers you until you die. Alternatively, you could choose cover for a set term, such as until your children reach a certain age or until your mortgage is paid off.

- **Payment Protection Insurance (PPI)**

PPI policies are designed to help you repay your debts (including mortgages, loans and credit cards) if you have to stop working because you have an accident or become ill, or you unexpectedly become unemployed.

PPI is optional and you will not be refused credit just because you decide not to buy PPI.

The ABI, the FLA and other financial services trade associations have produced a basic guide to PPI which provides more information. To order a copy ring the ABI on 020 7600 3333 or visit www.abi.org.uk. A more detailed consumer PPI guide produced by the FLA and the ABI is also available by calling 020 7836 6511 or at www.fla.org.uk/fla/consumerfinance/Guide_to_Payment_Protection_Insurance.riv

- **Long-term care insurance**

Long-term care supports people who are unable to look after themselves. Their requirements can be wide ranging - from help at home to reliance on others to perform everyday tasks. There are two types of Long-term care insurance:

1. **Pre-funded.** You buy this kind of policy to protect you in case you need care in the future. The benefit is payable once you meet the claims definitions in your policy, usually when you are no longer able to perform 'activities of daily living'.
2. **Immediate needs.** This pays a regular income in exchange for a lump sum payment. To qualify, you must require care as a result of poor health.

The level of cover can be different from policy to policy - always read the policy summary for details of the benefits and the main exclusions. If there is anything you are not sure about, you should always ask for more information before you buy.

When applying for protection insurance you must answer all the questions in your application carefully, accurately and to the best of your knowledge and belief, or your policy may not pay out.

OTHER PAGES OF INTEREST IN THIS GUIDE...

Insurance - general

39-40



INVESTMENT FUNDS

When considering how to save money for the long-term you must consider a range of factors specific to your personal circumstances. Some questions to consider are:

HOW COMFORTABLE ARE YOU IN MAKING YOUR OWN DECISIONS?

For most people the best course of action is to seek professional advice from a financial adviser or stockbroker. Independent Financial Advisers and stockbrokers are commonly found on the high street and in local communities. Most banks and building societies also have individuals trained specifically to help customers who want to make investment decisions but they may not be independent as they often only advise on a limited range of products.

WHAT IS YOUR TIME HORIZON FOR SAVING OR INVESTING?

Is it for the short, medium or long-term (over 10 years)? This is important to help you decide the type of savings which are most appropriate.

HOW MUCH RISK ARE YOU WILLING TO TAKE?

Risk is an extremely important concept to understand when investing and there are many different types of risk to consider.

Different types of investment may increase or decrease in value at different rates. All investment carries a risk and generally the higher the risk, the higher the potential return – cash is the least risky and shares carry the most risk. Bonds tend to fluctuate less than shares but are considered riskier than cash.

Another type of risk to consider is inflation risk. Inflation reduces what you will be able to buy with your money in the future and the interest or growth earned on your savings and investments may not compensate for this.

To avoid being exposed to the ups and downs of the share price of one company many people prefer to invest across a range of companies. You can do this through placing money in an 'investment fund'. These funds, created and managed by professional investors, allow you to share in the fortunes of many companies at once. Shares of a range of companies are grouped together into a fund and individuals can then invest in that fund, thereby investing in all of the included companies in one go. If the shares of some of the companies fall, this could be compensated by other companies in that fund whose shares may be rising so there is less risk to the investor. Investment funds support a crucially important concept in investment - diversification or not putting all of your eggs in one basket and spreading your risk across a basket of shares and/or bonds.

Over the 15-year period between 1992 and 2007, £1,000 invested in an average fund investing in UK companies was worth nearly £4,292 compared with £1,391 if the same money was invested in a building society cash savings account. The same amount invested in a UK Government bond fund was worth £2,120.

To maximise savings growth, investors should consider ways to reduce the tax payable on gains made in investments funds. One way of doing this is to hold investment funds in an Individual Savings Account (ISA) which allows savings of up to £7,200 (based on regulations applicable from 6 April 2008) per year.

Investment funds are available from a number of places including financial advisers, stockbrokers, banks, building societies, and direct from the companies themselves. Investment funds can also be purchased online.

For general information go to www.investment.org/investors or www.tisa.uk.com

OTHER PAGES OF INTEREST IN THIS GUIDE...

Independent Financial Advice	35
Individual Savings Accounts	37-38
Saving – why it's important	55

MENTAL CAPACITY



The Financial Fringe

BANKING FOR PEOPLE WHO LACK CAPACITY TO MAKE DECISIONS

There are a number of ways in which someone can be given the authority to make decisions about money matters on behalf of an individual who may lack the capacity themselves or where they want someone to make such decisions even when they have the capacity. Depending on how it is done, the person acting on someone else's behalf could be:

- An attorney appointed under an Enduring Power of Attorney (EPA) or Lasting Power of Attorney (LPA)
- A deputy appointed by the Court of Protection
- Someone acting under a court order
- An appointee of the Department for Work and Pensions.

THE MENTAL CAPACITY ACT 2005

Most of the Act became effective from 1 October 2007 in England and Wales. It affects people over the age of 16 (and in some cases, people under 16) who lack the capacity to make decisions in some, or all aspects of their life, including managing their money. There is also a Code of Practice, providing guidance and information for those who owe a duty of care to someone who lacks capacity.

The Code can be viewed at the following website link

www.opsi.gov.uk/acts/acts2005/related/ukpgacop_20050009_en.pdf

LASTING POWERS OF ATTORNEY

The Act replaces the current form of Enduring Powers of Attorney and introduces two new forms of Lasting Powers of Attorney. An LPA can be used to appoint someone or a number of people to make decisions about personal welfare and healthcare (Personal Welfare LPA) as well as their financial affairs (Property and Affairs LPA), should the person making the LPA lose capacity. Property and Affairs LPA are similar to EPAs but there are some important differences. EPAs made before 1 October 2007 will continue to be valid. This document is concerned only with Property and Affairs LPAs.

COURT APPOINTED DEPUTIES

The Act also creates a new Court of Protection which will be able to appoint 'deputies' to make decisions on behalf of someone who lacks capacity. Deputies will replace receivers although existing receivers retain their powers after 1 October 2007 and will be treated as deputies. A new Public Guardian has been appointed and the Public Guardianship Office has been replaced by the Office of the Public Guardian.

WHAT DOES A BANK OR BUILDING SOCIETY REQUIRE TO CARRY OUT TRANSACTIONS?

Before a bank or building society can let someone manage the account of another person, they must have proof of the name and address of the account holder (if not already known to the bank or building society) and of the person who will have legal responsibility for managing the account. They must also see evidence of that person's authority to control the account holder's money. The documents to prove this can be:

- The registered EPA or LPA, or a certified copy
- The appropriate court order
- For appointees: form BF57.

continued overleaf

MENTAL CAPACITY

continued

WHAT DOCUMENTATION IS NEEDED TO PROVE THE IDENTITY AND ADDRESS OF AN ATTORNEY, DEPUTY OR APPOINTEE AND OF THE PERSON THEY ARE ACTING FOR?

The usual documents such as a passport or driving licence for someone's name, and utility bills for their addresses. All banks and building societies can provide full details of the documents they accept.

An entitlement letter from the Department for Work and Pensions confirming that the person is in receipt of a pension, could provide evidence of identity. If this is not available, or is inappropriate, a letter from an appropriate person, for example, the matron of a care home, may provide the necessary evidence.

MORE INFORMATION

For information and forms to apply to the Court of Protection to be a deputy or to get the forms to make or register a Lasting Power of Attorney visit the website of the Office of the Public Guardian

www.publicguardian.gov.uk or call their Customer Services line on 0845 330 2900.

OTHER PAGES OF INTEREST IN THIS GUIDE...

Industry Codes of Conduct

19



MORTGAGE ARREARS

I AM HAVING TROUBLE PAYING MY MORTGAGE - WHAT SHOULD I DO?

If you find you have difficulty paying your mortgage, or you think you may have a problem in the future, you should contact your lender as soon as possible.

You will find a sympathetic voice at the end of the telephone or in the branch. Staff are trained to assist customers experiencing financial difficulties in an individual way and recognise that it can be a very difficult conversation. They also understand that most repayment problems are not your fault, but are usually caused by circumstances out of your control such as interest rate rises, bereavement, relationship breakdown or losing your job. Doing nothing is the **worst** thing you can do.

WHAT WILL HAPPEN ONCE I HAVE MADE CONTACT WITH MY LENDER?

Lenders will have their own procedures for dealing with people experiencing difficulties. This will usually involve you jointly developing a repayment plan. A repayment plan will involve you listing your income and expenditure to see where savings can be made.

This repayment plan may allow you to:

- Make reduced or no payments for a short period of time
- Increase the length of your mortgage loan and therefore reduce your monthly repayments (not applicable for interest-only mortgages)
- Add arrears to the outstanding mortgage amount rather than repaying them immediately.

Lenders are not able to accept reduced mortgage repayments indefinitely, and in the long term a repayment problem will have to be resolved. Arrears will then be regularly discussed with you to see how the repayment plan is going and to see if any changes are required.

It is vital you are upfront with your lender about your true financial commitments and the situation that you are in. Doing so means that a solution can be developed that suits both you and the lender.

FIVE STEPS TO DEALING WITH PAYMENT DIFFICULTIES

- 1. Contact your lender as soon as possible to tell them your problems**
- 2. Be totally honest with them about your situation**
- 3. Work out a repayment plan with your lender**
- 4. Keep a close eye on your finances to make sure you are able to keep up with the agreed plan**
- 5. If you are having any difficulties keeping to the plan, contact your lender again and see if it can be reviewed.**

WHERE CAN I GO FOR HELP?

Although your lender will try to provide you with any further help that you need, there are other organisations you can contact. You do not need to pay for debt advice. Any of the organisations below will be happy to help you.

- Your local **Citizens Advice Bureau** will give free, independent and confidential advice. They can help you work out repayments and negotiate with your creditors. For details of your local CAB, including those that give advice by email, go to www.citizensadvice.org.uk
- **National Debtline** is a national phone helpline for people with debt problems in England, Wales and Scotland. Their service is free, confidential and independent. Call freephone 0808 8084000 or log on to www.nationaldebtline.co.uk
- **Shelter's** website, Housing Aid Centres, helpline, email advice service and housing support projects give free, confidential, expert advice to people in housing need.
Go to www.shelter.org.uk or call freephone 0808 800 4444 (except for Northern Ireland which is 028 9024 5640).

OTHER PAGES OF INTEREST IN THIS GUIDE...

Citizens Advice Bureaux	9-10
Debt	27
Mortgages and Remortgaging	49-50



MORTGAGES AND REMORTGAGING

WHO PROVIDES MORTGAGES?

Mortgages are offered by banks, building societies and specialist lending institutions (together, these are referred to as lenders).

HOW DO I APPLY FOR A MORTGAGE?

You can apply directly to a lender or you can seek advice from a mortgage intermediary (someone who acts on your behalf to look across the market to find the most suitable mortgage for you). A mortgage intermediary will help you to select the right loan and the most appropriate lender for your needs.

HOW MUCH CAN I BORROW?

The amount you can borrow depends on three factors: the value of the property; your income(s); and your credit history.

Lenders will undertake an assessment and only let you borrow an amount that they believe you can afford. It will therefore depend on not just your earnings, but also your spending and other committed expenditure. Typically, lenders may let you borrow between 2 and 4.5 times your income, although other income multiples may be available from some lenders.

Borrowing over 95% of the property value can be more expensive. It is sometimes possible to borrow over 100% of the purchase price of a property, although most people have a deposit and borrow less than this.

WHAT ARE HIGHER LENDING CHARGES?

If you borrow a large percentage of the value of your property, typically over 90%, some lenders charge a Higher Lending Charge. This is a compulsory charge that is often added to your mortgage debt and therefore incurs interest. Not all lenders charge a Higher Lending Charge. A bank, building society or mortgage intermediary will be able to advise you on this.

WHAT IS THE BEST TYPE OF MORTGAGE?

There is no best type of mortgage; the type of mortgage suitable for you depends on your individual circumstances and your attitude to risk. However, it is important not to take out any mortgage if you cannot afford the monthly payments. If you have any questions, the organisation that arranges your mortgage should explain the terms and conditions that apply.

WHAT IS MORTGAGE PAYMENT PROTECTION INSURANCE?

Mortgage Payment Protection Insurance (MPPI) is an insurance that pays your monthly mortgage payments for a defined period in the case of redundancy or illness. The terms of MPPI policies vary and you should always check exactly what it offers and whether you would be eligible to claim.

WHAT OTHER INSURANCES ARE AVAILABLE?

There are a number of other insurance products you may wish to consider when buying a property. These include life insurance, critical illness cover and income protection. An intermediary or lender will be able to advise you on the most appropriate cover for your situation.

You are likely to require buildings insurance, and you should also consider contents insurance too.

WHAT IS 'REMORTGAGING'?

Remortgaging is when you decide to change lender. Your new lender pays off your old mortgage and you make payments to the new mortgage lender instead.

continued overleaf

MORTGAGES AND REMORTGAGING

continued

WHAT ARE THE BENEFITS OF REMORTGAGING?

Banks, building societies and other mortgage lenders compete with each other to provide the best deal, so it is possible to save money by periodically seeking the best mortgage deal. Some mortgages may charge you a penalty if you repay them early, particularly in the first few years, so if you are considering changing your mortgage you should check for Early Repayment Charges with your current lender first. You should also take into account the cost of remortgaging to ensure that it is worthwhile doing so.

If you need money for home improvements or to consolidate other loans or bills, you can sometimes remortgage. This will only be allowed if you have sufficient income to pay the monthly payments.

WHAT IS A SECOND MORTGAGE?

A second mortgage is a further loan on a property which is already mortgaged and where the loan is also secured against the property. This can be used to raise capital for a wide variety of purposes if the property has significantly increased in value and usually involves finance companies rather than banks or building societies. The first mortgagee (lender) will be paid first should the borrower default.

OTHER PAGES OF INTEREST IN THIS GUIDE...

Independent Financial Advice	35
Insurance - general	39-40
Insurance - protection	41
Mortgage Arrears	47



PAYMENT METHODS

PLASTIC CARDS

- **Debit Cards**

When you use your debit card the money you spend is taken directly from your current (or in some cases, savings) account. As long as you have enough available funds in your account you can use your debit card to buy things in person, over the phone, by mail order and over the Internet. It also enables you to withdraw money direct from your account using a cash machine and may have a cheque guarantee function.

- **Credit Cards**

A credit card allows you to pay for goods and services with credit up to a limit agreed with your card issuer. You have to pay back what you borrow - the costs and terms and conditions will vary from card to card. Most credit cards give some period of interest-free borrowing for purchases so long as the bill is paid in full by the payment date.

CHIP AND PIN

Chip and PIN was introduced in the UK as part of a global programme to tackle increasing levels of plastic card fraud. Some people may have difficulty using a PIN due to a disability or impairment. If this is the case for you then you should speak to your card issuer about alternatives to chip and PIN.

See www.apacs.org.uk or www.choosingandusing.com for more information on debit or credit cards.

- **Store Cards**

A store card works in exactly the same way as a credit card, but can only be used for purchases made in a shop (or group of shops under the same ownership) associated with that card.

CHEQUES

Cheques operate within a clearing cycle known as 2-4-6 (or 2-6-6 for savings accounts). These set the maximum timescales (in working days) for when customers will start earning interest on the money paid into their accounts, when it will be available for withdrawal and when they can be sure that the money is theirs. Some banks and building societies will offer faster clearing timescales as part of their competitive offering to customers.

2-4-6 in action

Day 0 (for example, Monday) - When your bank or building society receives the cheque from you

Day 2 (Wednesday) - You start to earn interest on the money paid in (or reduce the balance on which overdraft interest is charged)

Day 4 (Friday) - You can withdraw the money (this happens on day 6 [the following Tuesday] for savings accounts that allow withdrawals)

Day 6 (the following Tuesday) - You can be sure that the money is yours by the end of today and will not be reclaimed (unless you are a knowing party to fraud)

See www.apacs.org.uk or www.chequeandcredit.co.uk for more information on cheques and the clearing process.

continued overleaf

PAYMENT METHODS

continued

AUTOMATED PAYMENTS

- **Direct Debits**

A Direct Debit is an instruction from a customer to their bank or building society authorising an organisation to collect varying amounts from their account, as long as the customer has been given advance notice of the collection amounts, dates and frequency of payment. All banks and building societies that operate the Direct Debit Scheme are committed to provide the Direct Debit Guarantee for customers.

- **Direct Credits**

A direct credit payment is an electronic payment straight into a business or individual's bank account. 90% of UK salaries are paid in this way and funds are cleared and available the day they are credited to the account.

- **Standing Orders**

A standing order is an instruction you give to your bank or building society to make payments, usually on a regular basis, to a specified third party's UK bank or building society account. It takes three days for a standing order to reach the recipient's account but following the introduction of the new Faster Payments Service in May 2008 they will be processed on the same day.

- **Faster Payments**

Faster Payments is a new service that allows customers to make payments by phone or online banking that will reach the recipient account on the same day. The service is available 24 hours a day, 7 days a week. The service will launch in May 2008.

See www.apacs.org.uk or www.bacs.co.uk for more information on automated payments.

OTHER PAGES OF INTEREST IN THIS GUIDE...

Credit Cards

21



PENSIONS

WHY SAVE FOR YOUR RETIREMENT?

- State pensions may not be adequate to provide a comfortable standard of living in retirement and should be considered as a minimum
- People are living longer
- Extra pension savings make retirement more comfortable

To encourage you to save for your retirement in a private pension, the Government tops up your contributions by giving you back the tax you have already paid on your contribution.

WHAT TYPES OF PENSION ARE THERE?

In addition to the state pension, there are the following types of private pension:

- A work-based pension arranged through an employer who may also make a contribution
- A personal pension (including Stakeholder schemes) open to nearly everyone and especially useful if you are self-employed or your employer doesn't run a company scheme.

Your contributions form a pension fund, which is invested over the years until you retire.

PENSION ANNUITIES

An annuity allows you to use your pension savings to effectively buy a monthly income for the rest of your life.

People who save in a money purchase ("defined contribution") pension scheme (personal, stakeholder or some occupational pensions) generally purchase an annuity with the money saved in their pension at or after retirement. Up to age 75 they may take income from the fund, within certain limits. But, under current rules, they must buy an annuity by age 75. They have the option of taking a tax-free lump sum of 25% of the money saved in the pension, with the remaining money used to purchase an annuity. This annuity will then provide an income for life. For those in an occupational pension scheme, the scheme trustees will often arrange this on their behalf.

There are different types of annuity; it is important to identify which is the right one. For example:

- Income from a level annuity will gradually decline in value over time as prices rise, but some annuities provide an income that gradually rises over time in line with prices
- Joint Life annuities provide an income for a dependent after the annuity holder dies, whereas income payments from a Single Life annuity end when the annuity holder dies
- Certain types of annuity will pay a larger income if you have a lower than average life expectancy, for example due to serious ill health or lifestyle factors.

GETTING STARTED

This Government website is a useful starting point:

www.thepensionsservice.gov.uk

The Financial Services Authority has a helpful guide for consumers at: www.moneymadeclear.fsa.gov.uk

To get an estimate of the amount of pension income you could get when you retire, based on your current and any additional savings you make, you should look at the Pension Calculator:

www.pensioncalculator.org.uk/pages/home.php

The Association of British Insurers provides information at: www.abi.org.uk

LOOKING AHEAD

The Government has announced the establishment of a new scheme of 'personal accounts' from 2012 designed to help and encourage employees on low to moderate incomes to save for their retirement.



SAVING – WHY IT’S IMPORTANT

Saving money, either as occasional lump sums or regular amounts, is very important. It can help in a number of ways, including:

- Having a sum of money available for emergencies such as car or boiler repairs or if you experience a sudden drop or loss of income
- Helping you afford holidays or other ‘treats’
- Having enough money to live comfortably in later life
- Paying off the mortgage
- Helping your children through college or university
- Leaving some money when you die for people who depend on you.

When thinking about saving, you should always consider paying off unsecured debts first, especially those with high interest rates.

SHORT TO MEDIUM-TERM SAVING

You should have “rainy day” savings readily available to you in case of emergencies. Cash savings accounts are often used for this type of saving as you can get money out quickly and there is virtually no risk that money invested in them will be lost. There are many types of cash savings accounts, including cash Individual Savings Accounts (ISAs) which have the advantage of being tax-efficient.

LONG-TERM SAVINGS

When saving for the longer term, you should consider investing in something other than a cash account. There are many ways of saving for the long term and whilst nothing is guaranteed, evidence suggests that investing in the stock market provides a better long-term return than savings held in cash. This form of saving is suitable for money that you are unlikely to need at short notice.

So, how can you save for the long term? Some money could be put into investments in a stocks and shares ISA. This type of account allows you to withdraw money if you need it, although it is best viewed as a long-term investment. You could also save in an account where access to the money is restricted to a certain time or event. For example, saving for your child in a Child Trust Fund (CTF) which they can access on reaching 18 or saving for your retirement in a pension. You could save in a single premium investment bond which enables you to withdraw 5% of your investment each year without incurring any tax liability. Another option is to invest in property - either directly or through property funds. However, you should bear in mind that the value of property - like other long-term investments - can go down as well as up and there is a risk you may not get all your investment back.

Details on ISAs, CTFs and pensions are provided elsewhere in this pack. It is important to make sure that your money is held in different types of investment in order to even out the ups and downs which inevitably happen in all areas of life. It is also important to take financial advice.

OTHER PAGES OF INTEREST IN THIS GUIDE...

Child Trust Funds	15-16
Christmas Savings	17
Credit Unions	25-26
Independent Financial Advice	35
Individual Savings Accounts	37-38
Investment Funds	43
Pensions	53



UNCLAIMED ASSETS

WHAT ARE UNCLAIMED ASSETS?

An unclaimed asset is a savings account or current account where there have been no transactions (withdrawals or deposits) on it, other than those carried out by the bank or building society (such as interest or payments). This will be for a set period during which the bank or building society has not heard from you. Unclaimed assets are also sometimes known as lost accounts or dormant accounts.

WHAT HAPPENS TO THESE ACCOUNTS?

The bank or building society will write to you at least once at the last address they have for you (unless mail has previously been returned from there) to ask if you want to keep the account open. If your reply is that you want to keep the account open, the bank or building society will continue to treat your account as 'live', sending your statements and other correspondence in the normal way.

If the bank or building society receives no reply after a set period – usually between six weeks and three months – your account may be considered 'lost' and will be treated differently from a live account. This is to protect you from fraud and to protect your privacy.

The money in the account remains your property. If you renew contact with the bank or building society the account will be reactivated or the money in it will be paid to you in full, with interest (if it is an interest bearing account).

HOW DO I TRACE AN ACCOUNT I HAVE LOST TOUCH WITH?

If you know which bank or building society your account is with, you can go direct to a branch to reactivate your account. Take along any documentation you may have for the account (such as a passbook) and a form of identification (such as a passport or driving licence).

www.mylostaccount.org.uk

If you think you may have a lost account with a bank, a building society, NS&I (National Savings and Investments) - or all three - you can request a search simply by visiting www.mylostaccount.org.uk and providing some information about yourself and your possible account(s).

If you do not have access to the Internet, you can call the following organisations and request a form is posted to you to complete:

- For banks - The British Bankers' Association - 020 7216 8909
- For building societies - The Building Societies Association - 020 7437 0655 or 020 7520 5900
- For NS&I - 0845 964 5000.

CAN I TRACE THE ACCOUNT OF A DECEASED RELATIVE OR FRIEND?

Yes, if you have the legal right to the account and can prove this. The documents required may vary between different banks and building societies, but may include evidence of probate, for example.

WHAT IS THE UNCLAIMED ASSETS SCHEME?

From 2009, a new unclaimed assets scheme will be introduced. The details of the scheme are not yet settled – and are subject to the passage of a Bill currently before Parliament. The Bill is likely to become law by mid 2008.

The unclaimed assets scheme is a voluntary scheme by which banks and building societies can give unclaimed money held in dormant accounts (an account where there has been no customer-initiated activity for 15 years) to charity. It is important to remember however, that you will not lose your money under this scheme. You can reclaim your money, with any interest earned, at any time.

USEFUL CONTACTS



The Financial Fringe

APACS - the UK payments association

Mercury House
Triton Court
14 Finsbury Square
London EC2A 1LQ
Tel: 020 7711 6200
www.apacs.org.uk

Association of British Insurers

51 Gresham Street
London EC2V 7HQ
Tel: 020 7600 3333
www.abi.org.uk

Association of Independent Financial Advisers

2-6 Austin Friars House
Austin Friars
London EC2N 2HD
Tel: 020 7628 1287
www.aifa.net

Banking Code Standards Board

Level 12, City Tower
40 Basinghall Street
London EC2V 5DE
Tel: 0845 230 9694
Email: helpline@bcsb.org.uk
www.bankingcode.org.uk

British Bankers' Association

Pinners Hall
105 - 108 Old Broad Street
London EC2N 1EX
Tel: 020 7216 8800
www.bba.org.uk

Building Societies Association

6th Floor, York House
23 Kingsway
London WC2B 6UJ
Tel: 020 7437 0655 or 020 7520 5900
Email: information@bsa.org.uk
www.bsa.org.uk

Child Trust Fund

Child Trust Fund Office
Waterview Park
Mandarin Way
Washington NE38 8QG
Tel: 0845 302 1470
www.childtrustfund.gov.uk

Citizens Advice

Myddelton House
115-123 Pentonville Road
London N1 9LZ
www.citizensadvice.org.uk
Online CAB information and guidance including frequently asked questions in seven languages and factsheets to download –
www.adviceguide.org.uk

Community Legal Advice

85 Grays Inn Road
London WC1 X8T
Tel: 0845 345 4345
www.clsdirect.org.uk

Consumer Credit Counselling Service

Wade House
Merrion Centre
Leeds LS2 8NG
Tel: 0800 138 1111
www.cccs.co.uk

Finance & Leasing Association

2nd Floor
Imperial House
15-19 Kingsway
London WC2B 6UN
Tel: 020 7836 6511
www.fla.org.uk

Financial Ombudsman Service

South Quay Plaza
183 Marsh Wall
London E14 9SR
Tel: 0845 080 1800
Email:
complaint.info@financial-ombudsman.org.uk
www.financial-ombudsman.org.uk

Financial Services Authority

25 The North Colonnade
Canary Wharf
London E14 5HS
Tel: 0845 606 1234
www.fsa.gov.uk

Financial Services Compensation Scheme

7th floor, Lloyds Chambers
Portsoken Street
London E1 8BN
Tel: 020 7892 7300
Email: enquiries@fscs.org.uk
www.fscs.org.uk

General Consumer Council for Northern Ireland

116 Holywood Road
Belfast BT4 1NY
Tel: 028 9067 2488
www.consumerCouncil.org.uk

Housing Corporation

Maple House
149 Tottenham Court Road
London W1T 7BN
Tel: 0845 230 7000
www.housingcorp.gov.uk

Investment Management Association

65 Kingsway
London WC2B 6TD
Tel: 020 7831 0898

www.investmentuk.org

Money Advice Scotland

Suite 306, Pentagon Centre
36 Washington Street
Glasgow G3 8AZ
Tel: 0141 572 0237

www.moneyadvicescotland.org.uk

Money Advice Trust

21-26 Garlick Hill
London EC4V 2AU
Tel: 020 7489 7796

Email: info@moneyadvicetrust.org

www.moneyadvicetrust.org

National Consumer Council

20 Grosvenor Gardens
London SW1W 0DH
Tel: 020 7730 3469

www.ncc.org.uk

National Debtline

Tricorn House,
51-53 Hagley Road,
Edgbaston,
Birmingham B16 8TP
Tel: 0808 8084000

www.nationaldebtline.co.uk

Office of the Public Guardian

Archway Tower
2 Junction Road
London N19 5SZ
Tel: 0845 330 2900

www.publicguardian.gov.uk

Shelter

88 Old Street
London EC1V 6HU
Tel: 0808 800 4444 (except for Northern Ireland which is
028 9024 5640)

www.shelter.org.uk

Tax Incentivised Savings Association

Cleveland Business Centre
Middlesbrough TS1 2RQ
Tel: 01642 207200

www.fisa.uk.com

Welsh Consumer Council

5th Floor
Longcross Court
Newport Road
Cardiff CF24 0WL
Tel: 029 2025 5454

www.wales-consumer.org.uk

Which?

2 Marylebone Road
London NW1 4DF
Tel: 020 7770 7000

www.which.net